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# **MISSOURI HOUSING DEVELOPMENT COMMISSION**

FINANCIAL STATEMENTS  
JUNE 30, 2000

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## **Independent Auditors' Report**

The Commissioners  
Missouri Housing Development Commission

We have audited the accompanying balance sheet of the Missouri Housing Development Commission (a body corporate and politic of the State of Missouri) as of June 30, 2000, and the statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Missouri Housing Development Commission as of June 30, 1999 were audited by other auditors whose report dated August 31, 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2000 financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Development Commission at June 30, 2000, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2000 on our consideration of the Missouri Housing Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information is presented for purposes of additional analysis and are not a required part of the financial statements of the Missouri Housing Development Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Rubin, Brown, Gornstein & Co. LLP*

St. Louis, Missouri  
August 28, 2000

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## BALANCE SHEET (In Thousands)

	June 30,	
	2000	1999
<b>Assets</b>		
Cash and temporary cash investments	\$ 18,836	\$ 27,059
Investments:		
Investment agreements	276,814	281,333
Securities purchased under agreements to resell	26,098	16,794
U.S. government and agency securities	126,265	131,101
	429,177	429,228
Mortgage Investments:		
Mortgage and construction loans receivable, net of allowance for loan losses (\$11,887 in 2000 and \$11,034 in 1999)	337,504	325,087
GNMA and FannieMae mortgage-backed securities	960,781	841,778
	1,298,285	1,166,865
Other Assets:		
Accrued interest receivable	12,991	11,496
Deferred financing charges	33,358	24,734
Property and equipment	1,701	1,660
Rental property	1,808	1,808
Accounts receivable - other	597	399
	50,455	40,097
<b>Total Assets</b>	<b>\$ 1,796,753</b>	<b>\$ 1,663,249</b>
<b>Liabilities And Fund Balances</b>		
<b>Liabilities</b>		
Bonds payable	\$ 1,486,995	\$ 1,344,507
Accrued interest payable	25,502	22,903
Escrow deposits	33,517	32,383
Rent subsidies payable	5,362	4,068
Accounts payable	2,651	3,872
Deferred financing and commitment fees	11,947	10,580
<b>Total Liabilities</b>	<b>1,565,974</b>	<b>1,418,313</b>
<b>Fund Balances</b>		
Restricted by the Commission, bond resolution and state statute	248,301	217,421
Unrestricted fund balance (deficit)	(17,522)	27,515
<b>Total Fund Balances</b>	<b>230,779</b>	<b>244,936</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$ 1,796,753</b>	<b>\$ 1,663,249</b>

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**MISSOURI HOUSING DEVELOPMENT COMMISSION**

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**STATEMENT OF REVENUES AND EXPENSES AND  
CHANGES IN FUND BALANCES  
(In Thousands)**

	<b>For The Years Ended June 30,</b>	
	<b>2000</b>	<b>1999</b>
<b>Revenues</b>		
Income - mortgage investments	<b>\$ 89,162</b>	\$ 86,153
Income - investments	<b>22,632</b>	26,857
Net decrease in fair value of investments	<b>(31,204)</b>	(28,426)
Financing fees and other	<b>8,405</b>	7,505
Federal assistance and grants	<b>48,877</b>	48,320
<b>Total Revenues</b>	<b>137,872</b>	140,409
<b>Expenses</b>		
Interest on bonds	<b>84,368</b>	83,738
Bank miscellaneous bond debt expense	<b>5,192</b>	4,819
Salaries	<b>3,111</b>	3,020
Administrative expenses	<b>3,271</b>	3,238
Provision for loan and real estate owned losses	<b>920</b>	1,120
Rent subsidy payments	<b>2,720</b>	2,739
Housing Trust Fund grants	<b>4,387</b>	4,213
Loss on extinguishment of debt, net	<b>(817)</b>	(166)
Federal assistance and grants	<b>48,877</b>	48,320
<b>Total Expenses</b>	<b>152,029</b>	151,041
<b>Revenues Under Expenses</b>	<b>(14,157)</b>	(10,632)
<b>Fund Balances - Beginning Of Year</b>	<b>244,936</b>	255,568
<b>Fund Balances - End Of Year</b>	<b>\$ 230,779</b>	\$ 244,936

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# MISSOURI HOUSING DEVELOPMENT COMMISSION

## STATEMENT OF CASH FLOWS (In Thousands)

	For The Years Ended June 30,	
	2000	1999
<b>Cash Flows From Operating Activities</b>		
Revenues under expenses	\$ (14,157)	\$ (10,632)
Adjustments to reconcile revenues under expenses to net cash provided by (used in) operating activities:		
Income - mortgage investments	(89,162)	(86,153)
Income - investments	(22,632)	(26,857)
Amortization of financing charges, financing fees and debt premium/discount	(343)	(465)
Provision for loan and real estate owned losses, net of charged-off loans	852	1,046
Interest expense related to bonds	84,368	83,738
Repayment of principal on mortgage loans	177,294	228,604
Mortgage and construction loans disbursed	(309,566)	(202,504)
Interest received on mortgage investments	88,504	86,646
U.S. Department of Housing and Urban Development grants and state grants:		
Receipts and related investment income	49,259	49,192
Disbursements and related administrative costs	(47,965)	(47,389)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable - other	(198)	631
Increase in deferred financing costs	(11,303)	(7,971)
Increase in escrow deposits	1,134	2,076
Increase (decrease) in accounts payable	(1,221)	1,231
Increase in deferred financing and commitment fees	2,685	2,712
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(92,451)</b>	<b>73,905</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Repayment of principal on bonds	(217,733)	(270,356)
Net proceeds from issuance of bonds	361,925	302,994
Interest paid on bonds	(81,769)	(84,634)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<b>62,423</b>	<b>(51,996)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	\$ 1,014,652	\$ 1,003,747
Purchase of investments	(1,005,297)	(1,031,405)
Increase in property and equipment	(41)	(227)
Income received on investments	21,795	27,559
Increase in securities purchased under agreements to resell	(9,304)	(4,037)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>21,805</b>	<b>(4,363)</b>
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(8,223)</b>	<b>17,546</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>27,059</b>	<b>9,513</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 18,836</b>	<b>\$ 27,059</b>

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# **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2000 And 1999**

### **1. Authorizing Legislation**

The Missouri Housing Development Commission (the Commission) is a body corporate and politic established on October 13, 1969 by Chapter 215 of the Missouri statutes. In accordance with the provisions of Chapter 215 and resolutions of the Commission, the Commission is authorized to make or purchase mortgage loans which are uninsured, partially insured, or insured or guaranteed by the federal government and to insure mortgage loans, the funds of which are to be used to develop new or rehabilitated low- and moderate-income housing. The Commission is also authorized to issue bonds for making or purchasing such loans. The outstanding balance of bonds applicable to loans not insured or guaranteed by a federal agency or to bonds rated lower than "AA" by rating agencies at the time of issuance shall not exceed \$200,000,000. At June 30, 2000 and 1999, the Commission had \$2,865,000 and \$2,945,000, respectively, of bonds outstanding applicable to loans that are not so insured or guaranteed or to bonds that are not so rated. Bonds issued by the Commission are not an obligation of the State of Missouri.

### **2. Summary Of Significant Accounting Policies**

#### **Basis Of Presentation**

The Commission maintains its financial records on the accrual basis of accounting. Pursuant to the requirements of the Governmental Accounting Standards Board (GASB), the Commission is considered a related organization of the state of Missouri for financial reporting purposes. Accordingly, the Commission is included as a footnote disclosure in the state of Missouri's comprehensive annual financial report. The Commission has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 as prescribed by GASB Statement No. 20.

Certain amounts within the 1999 financial statements have been reclassified to conform with the 2000 presentation.

**Cash And Investment Policies**

Chapter 215 of the Missouri statutes provides for the Commission to invest any funds not required for immediate disbursement in obligations of the state of Missouri or the United States government or any instrumentality thereof, the principal and interest of which are guaranteed by the State of Missouri or the United States government or instrumentality thereof; bank certificates of deposit; or such other investments as determined by the Commission. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes.

As required by GASB Statement No. 31, *Accounting for and Financial Reporting for Certain Investments and External Investment Pools*, securities purchased under agreements to resell, U.S. government and agency securities, and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date. For the year ended June 30, 2000, the net decrease in fair value of investments was \$31,204,000. Without the recognition of this element of investment income, the Commission's revenue would have exceeded expenses by \$17,047,000.

**Mortgage Investments**

Proceeds from the sale of bonds are used to make or purchase mortgage loans and to purchase Government National Mortgage Association (GNMA) and FannieMae loan mortgage-based securities. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred to mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA and FannieMae mortgage-backed securities are reported at fair value. Mortgage-backed securities do not have a contractual maturity date, and the Commission may be subject to the risk of prepayment on these securities.

**Allowance For Loan Losses**

The allowance for loan losses is for uninsured loans and related accrued interest on such loans. The allowance is management's estimate of uncollectible loans and related accrued interest and is based on existing payment conditions, prior experience and such other factors which, in management's opinion, require consideration.

**Deferred Financing Charges**

Costs of issuance of bonds are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

**Property And Equipment**

Property and equipment consist of office furniture and equipment recorded at cost when acquired and are relieved at cost upon disposition.

**Rental Property**

Two rental properties have been acquired and rehabilitated for rental to persons or families of low income. These properties were recorded at cost when acquired and will be relieved at cost upon disposition.

**Deferred Financing And Commitment Fees**

Financing fees are deferred and recorded as income over the life of the related bond issuance, which approximates the life of the related mortgage loans.

**Federal Assistance And Grants**

The Commission administers grants and federal assistance programs, representing “pass-through” financial assistance, on the behalf of secondary recipients. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Commission recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of the Commission.

**3. Description Of Funds Or Programs**

The following describes the funds or programs maintained by the Commission, all of which conform with the statute and the respective bond resolutions.

## **MISSOURI HOUSING DEVELOPMENT COMMISSION**

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### Notes To Financial Statements (*Continued*)

#### **Operating Fund**

Funding of the Operating Fund on an ongoing basis is derived principally from allowable transfers from other funds, fees earned under the Housing Assistance Payments Program, administered under Section 8 of the Housing and Community Development Act, and interest income from investments and mortgage loans. Mortgage and construction loans in the Operating Fund are insured by HUD or guaranteed by the Veterans Administration (VA) except for approximately \$54,792,000 and \$55,302,000 at June 30, 2000 and 1999, respectively, of uninsured loans net of allowance for loan losses made under the Commission's various special housing programs. These mortgages are collateralized by deeds of trust on the related properties. Included within the Operating Fund is the Tenant Assistance Program, established for the purpose of subsidizing low-income housing. Authorized activities of the Operating Fund include the following:

- ?? Payment of general and administrative expenses and other costs not payable by other funds of the Commission;
- ?? Financing multifamily or single-family residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures; and,
- ?? Those activities deemed necessary to fulfill the Commission's corporate purposes for which special funds are not established.

#### **Multifamily Mortgage Program**

The Commission's Multifamily Mortgage Program was established to account for the proceeds from the bond sales, debt service requirements, and the related mortgage loans and mortgage-backed securities on eligible multifamily and nursing home developments. All loans, with the exception of \$40,950,000 being financed with the proceeds from the issuance of the Rental Housing Revenue bonds payable (Ecumenical Housing, Longfellow Heights, Primm Place, Truman Farm Villas, Brookstone, O'Fallon Place Apartments, Mansion II Apartments and East Hills Village Apartments), are insured by HUD. The Ecumenical Housing, Longfellow Heights, Primm Place, Truman Farm Villas, Brookstone, O'Fallon Place Apartments, Mansion II Apartments and East Hills Village Apartments, which totaled \$34,046,000 at June 30, 2000, are financed by the borrowers with limited obligation bonds which are denoted by "\*\*\*" in Note 5.

**Single-Family Mortgage Program**

The Commission's Single-Family Mortgage Program was established to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible single-family housing units. All loans are either insured by the Federal Housing Administration or qualified private mortgage insurers or guaranteed by the VA.

**4. Cash And Investments****Cash And Temporary Cash Investments**

At June 30, 2000 and 1999, \$6,777,000 and \$14,581,000 were held in money management accounts which earned interest at rates from 5.70% to 5.88% and 3.7% to 4.13%, respectively. At June 30, 2000 and 1999, the total carrying amount of the Commission's deposits was \$18,836,000 and \$27,059,000, and the bank balances were \$21,166,000 and \$28,269,000, respectively. Of the bank balance at June 30, 2000 and 1999, \$12,437,000 and \$22,403,000, respectively, were insured by the Federal Deposit Insurance Corporation. Of the uninsured balance in cash and temporary cash investments, \$8,729,000 and \$5,795,000 at June 30, 2000 and 1999, respectively, were collateralized by unregistered pledged securities held by the pledging financial institution or by its Trust Department or agent, but not in the Commission's name. Cash and temporary cash investments are classified as cash and cash equivalents for purposes of the statement of cash flows.

**Investment Agreements**

For bond issues originating after March 15, 1983, the Commission has authorized and directed the investment of funds with certain financial institutions. The total amount of funds invested in these agreements at June 30, 2000 and 1999 was \$276,814,000 and \$281,333,000, with guaranteed fixed rates of return ranging from 4.80% to 9.20% and 5.02% to 9.20%, respectively. At June 30, 2000 and 1999, investment agreements of \$40,615,000 and \$47,951,000, respectively, were collateralized by the banks with U.S. government or U.S. government agency obligations. Pursuant to the investment agreements between the Commission and the banks, investment agreements of \$236,199,000 and \$233,382,000 were uncollateralized at June 30, 2000 and 1999, respectively. The investment agreements have redemption terms that do not consider market rates, and income is based on contractual interest rates; accordingly, these agreements are reported at cost.

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## Notes To Financial Statements (Continued)

### Securities Purchased Under Agreements To Resell

Investments in securities purchased under agreements to resell are carried at fair value. At June 30, 2000 and 1999, these agreements had an average interest rate of approximately 5% and were collateralized by the banks with U.S. government or U.S. government agency obligations.

### U.S. Government And Agency Securities

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2000 and 1999, securities approximating \$18,892,000 and \$20,571,000, respectively, are unregistered investments for which the securities are held by the Commission's agent in the name of the Commission. At June 30, 2000 and 1999, securities totaling \$107,373,000 and \$110,530,000, respectively, are unregistered investments for which the securities are held by the counterparty financial institution in the name of the Commission.

## 5. Bonds Payable

The net proceeds of bond issues are used to provide financing for multifamily housing projects or for single-family residential housing units. The bond proceeds are deposited with and invested by various bank trust departments in qualified investments until required for such financing. Those bonds are obligations of the Commission and are not liabilities of the state of Missouri. A summary of bonds payable outstanding at June 30, 2000 and 1999 follows:

	Original Amount Authorized	Outstanding June 30, 20001999	
		(In Thousands)	
Multifamily Mortgage Program:			
December 1, 1971 Series (5.85% to 6%), due 1999 - 2015	\$ 12,875	\$ 3,625	\$ 3,795
July 1, 1975 Series (7.5% to 8%), due 1999 - 2019	10,465	6,500	6,670
May 1, 1976 Series (6.1% to 8%), due 1999 - 2019	11,800	3,235	3,385
October 15, 1976 Series (5.8% to 6%), due 1999 - 2020	30,000	18,730	19,220
March 15, 1977 Series (5.75% to 6%), due 1999 - 2020	30,000	12,570	14,260
January 15, 1978 Series (5.6% to 5.75%), due 1999 - 2022	35,000	20,735	21,530
July 15, 1978 Series (6.3% to 6.6%), due 1999 - 2022	45,000	26,160	27,665
Balance Carried Forward	175,140	91,555	96,525

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## Notes To Financial Statements (Continued)

	Original Amount Authorized	Outstanding June 30, <div>20001999</div>	
		<i>(In Thousands)</i>	
<b>Multifamily Mortgage Program: (Continued)</b>			
<b>Balance Brought Forward</b>	\$ 175,140	\$ 91,555	\$ 96,525
1979 Series A (6.4% to 7%), due 1999 - 2022	32,400	15,380	17,120
1979 Series B (6.4% to 7%), due 1999 - 2023	43,500	26,820	27,275
September 1, 1980 Series (9.625% to 10%),due 2007 - 2024	15,500	4,165	4,210
May 15, 1982 Series (9%), due 1999 - 2023	7,000	3,360	3,415
September 1, 1984 Series (10% to 11.25%), due 1999 - 2026	13,080	1,100	1,066
December 1, 1985 Series (8.4% to 9%), due 1999 - 2027	2,370	1,455	1,470
June 1, 1988 Series (7.5% to 8.5%), due 1999 - 2029	3,905	2,310	3,315
June 1, 1989 Series A (6.75% to 7.375%),due 2000 - 2031*	965	910	920
September 1, 1989 Series (9.25%), due 2031	1,845	1,670	1,690
March 1, 1991 Series (10%), due 2031	1,685	1,645	1,650
June 15, 1992 Series (5.35% to 6.6%), due 1999 - 2024	10,240	9,235	9,400
November 15, 1992 Series (5% to 6.6%),due 1999 - 2025	43,340	27,310	33,465
Boulevard Associates Bonds, Series 1994A (4.05% to 5.7%), due 1999-2027**	4,150	245	3,950
1995 Series A (4% to 6.25%), due 1999 - 2018**	2,825	2,650	2,740
November 15, 1996 Series (7.1% to 8.05%), due 2007 - 2038	3,540	3,475	3,505
Series 1996 (4.5% to 5.8%), due 1999 - 2010**	1,435	1,220	1,295
1996 Series A (5.75% to 6.2%), due 2012 -2028**	7,700	7,675	7,700
1996 Series B (6.6%), due 2003**	250	250	250
1996 Series A (5.25% to 6.2%), due 2007 - 2029**	8,400	8,400	8,400
Series 1998 (3.9% to 5.45%), due 1999 - 2028	9,045	8,770	8,910
O'Fallon Place Bonds, Series 1999 (3.7% to 5.25%),due 2002 - 2032**	6,710	6,710	6,710
Mansion II Bonds, Series 1999 (6.125% to 6.17%), due 2022 - 2032**	6,730	6,730	6,730
East Hills Village Bonds, Series 1999 (7.3%),due 2030**	2,750	2,750	—
2000 Series 1 (4.85% to 6.10%), due 2001 - 2031	11,540	11,540	—
	416,045	247,330	251,711
Less: Unamortized debt discount		(675)	(744)
		246,655	250,967

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## Notes To Financial Statements (Continued)

	Original Amount Authorized	Outstanding June 30, 20002019	
		(In Thousands)	
Single-Family Mortgage Program:			
June 15, 1976 Series (6.375%), due 2008	\$ 28,175	\$ 3,060	\$ 3,965
April 1, 1985 Series (8.9% to 9.375%), due 1999 - 2016	100,000	565	3,515
1986 Series A (9%), due 2018*	19,970	520	1,345
September 1, 1986 Series (6.8% to 7.5%),due 1999 - 2017	9,925	1,910	2,505
November 1, 1986 Series (6.8% to 7.6%), due 1999 - 2018*	100,000	15,510	20,830
July 15, 1987 Series (7.3% to 8.65%), due 1999 - 2010	10,000	684	1,186
1988 Series A (7.3% to 8.3%), due 1999 - 2019*	76,200	16,785	20,925
1988 Series B (7.3% to 8.25%), due 1999 - 2019*	37,500	4,440	6,475
1988 Series C (7.3% to 8.25%), due 1999 - 2019*	37,500	6,375	8,400
1989 Series B (6.95% to 7.625%), due 1999 - 2021*	50,000	9,890	12,905
1990 Series A (6.7% to 7.625%), due 1999 - 2022*	50,000	—	15,825
1990 Series B (6.6% to 7.75%), due 1999 - 2022*	85,000	16,040	21,200
1991 Series A (6.1% to 7.375%), due 1999 - 2024*	140,000	47,000	61,790
September 1, 1991 Series B (7% to 7.25%),due 2011 - 2013	18,200	18,052	18,605
1991 Series B (5.75% to 6.3%), due 1999 - 2003*	12,000	1,645	2,650
1991 Series C (6.35% to 7.35%), due 2008 - 2024*	53,485	20,640	25,279
1992 Series A (5.5% to 6.75%), due 1999 - 2024*	75,000	26,015	30,860
1992 Series B (5% to 6.4%), due 1999 - 2025*	75,000	41,520	46,985
1994 Series A (5.6% to 7.3%), due 1999 - 2026*	100,000	28,100	33,925
1995 Series A (4.55% to 6.22%), due 1999 - 2027*	55,000	40,835	45,050
1995 Series B (4.4% to 6.45%), due 1999 - 2028*	30,000	22,050	25,190
1995 Series C (4.3% to 7.25%), due 1999 - 2027*	30,000	18,005	20,685
1995 Series D (4.25% to 6.15%), due 1999 - 2027*	16,800	10,775	12,445
1996 Series A (4.25% to 7.2%), due 1999 - 2027*	41,000	26,930	31,330
1996 Series B (4.4% to 7.55%), due 1999 - 2028*	29,060	17,075	19,910
1996 Series C (4.25% to 7.45%), due 1999 - 2028*	32,925	21,325	25,450
1996 Series D (4.2% to 7.1%), due 1999 - 2028*	46,640	33,975	38,455
1997 Series A (4.2% to 7.23%), due 1999 - 2029*	50,000	36,265	40,930
1997 Series A-4 (4.15% to 5.65%), due 2000 - 2029*	10,000	7,520	7,995
1997 Series B (4.05% to 6.85%), due 1999 - 2029*	64,500	55,200	60,845
1997 Series C (4.15% to 6.85%), due 1999 - 2029*	55,625	48,320	53,030
1998 Series B (4% to 6.4%), due 1999 - 2030*	70,000	62,230	68,380
Balance Carried Forward	1,609,505	659,256	788,865

**MISSOURI HOUSING DEVELOPMENT COMMISSION**Notes To Financial Statements *(Continued)*

	Original Amount Authorized	Outstanding June 30,	
		2000	1999
		(In Thousands)	
Single-Family Mortgage Program: (Continued)			
Balance Brought Forward	\$ 1,609,505	\$ 659,256	\$ 788,865
1998 Series D (3.85% to 6.5%), due 1999 - 2029*	70,000	67,380	70,000
1998 Series E (3.7% to 8.45%), due 2000 - 2029*	50,000	48,765	50,053
1999 Series I (5.1%), due 2030	5,095	5,095	5,095
Draw Down Series 1999 A (4.19%), due 2000	150,000	17,825	83,065
1999 Series A (3.4% to 6.3%), due 2000 - 2030*	75,000	75,000	75,000
1999 Series B (4.0% to 6.83%), due 2001 - 2030*	75,000	75,000	—
1999 Series C (4.2% to 7.07%), due 2001 - 2030*	75,000	75,000	—
Draw Down Series 2000 A (4.99%), due 2001	150,000	20,490	—
2000 Series A (4.3% to 7.77%), due 2001 - 2031*	98,135	98,135	—
2000 Series B (4.9% to 8.0%), due 2001 - 2031*	70,000	70,000	—
	2,427,735	1,211,946	1,072,078
Less: Unamortized debt discount		1,012	1,548
Add: Unamortized debt premium		24,465	17,765
		1,235,399	1,088,295
Total	\$ 2,843,780	\$ 1,482,054	\$ 1,339,262

The proceeds of bond issues denoted by “\*” are used to purchase GNMA and Fannie Mae mortgage-backed securities, which are backed by mortgage loans originated through the Commission’s loan programs.

The proceeds of bond issues denoted by “\*\*” are used to provide financing for multifamily housing projects. These bonds are limited obligations of the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower.

## MISSOURI HOUSING DEVELOPMENT COMMISSION

### Notes To Financial Statements *(Continued)*

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All bonds have early redemption provisions. A summary of future annual scheduled principal maturities, which excludes unamortized debt discount and premium, follows *(in thousands)*:

<b>Bonds Maturing During Year Ending June 30</b>	<b>Amount</b>
2001	\$ 46,635
2002	39,085
2003	20,280
2004	19,785
2005	20,385
Thereafter	1,313,106
	<hr/>
	\$ 1,459,276

In addition to bonds payable, the Commission has available two lines of credit totaling \$5,050,000 and \$1,108,000. At June 30, 2000, these lines of credit had outstanding balances of \$3,994,000 and \$947,000 at interest rates of 7.27% and 7.02%, and are due September 2010 and January 2012, respectively.

## **6. Escrow Deposits And Rent Subsidies Payable**

Escrow deposits represent funds paid by project developers for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from HUD for payment of rent subsidies to participants in the HUD Section 8 Housing Assistance Program.

Such funds held by the Commission are included in cash and temporary cash investments.

**7. Pension Plan**

All Commission employees participate in the Missouri State Employees' Plan (MSEP) administered by the Missouri State Employees Retirement System (the System), a single-employer public employee retirement plan. MSEP provides retirement, death and disability benefits to its members. As established by Missouri statutes, responsibility for the operation and administration of MSEP is vested in the Missouri State Employees Retirement System Board of Trustees. The System issues a publicly available financial report that includes financial statements and required supplementary information for MSEP. That report may be obtained by writing to the Missouri State Employees Retirement System, 906 Leslie Boulevard, P. O. Box 209, Jefferson City, Missouri 65101, or by calling 1-800-827-1063.

Covered employees do not contribute toward the plan. The employer is required to contribute at an actuarially determined rate. The contribution requirement for the years ended June 30, 2000, 1999 and 1998 was \$458,000, \$418,000 and \$311,000, respectively; these contributions represented 14.7%, 13.8% and 11.7% of total payroll during 2000, 1999 and 1998, respectively. These contributions are expensed by the Commission when incurred.

As determined in accordance with GASB Statement No. 27, *"Accounting for Pensions by State and Local Governmental Employers,"* the Commission has no pension liability, as required contributions are paid when due. This treatment is consistent with prior years.

**8. Restrictions And Commitments**

Resolutions of the Commission require that, to the extent funds are available in the general account of each bond fund, they are to be transferred to a debt service account on a periodic basis, from the date of bond issuance to the date of each succeeding maturity, sufficient to make principal and interest payments on the bonds as they become due. Funds within the general account of each bond fund are on deposit in restricted accounts.

In addition, the statute and resolutions of the Commission require that for certain bond issues an amount be maintained in reserve accounts to be used to make principal and interest payments on payment due dates. Such amounts are on deposit in restricted accounts for the various issues within the Multifamily and Single-Family Mortgage Programs.

## MISSOURI HOUSING DEVELOPMENT COMMISSION

### Notes To Financial Statements *(Continued)*

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Below is a summary of the amounts restricted at June 30, 2000 and 1999:

	<b>2000</b>	1999
	<i>(In Thousands)</i>	
Cash and temporary cash investments	<b>\$ 16,263</b>	\$ 27,428
Investments	<b>334,815</b>	359,286
Accrued interest receivable	<b>11,240</b>	10,339
	<b>\$ 362,318</b>	\$ 397,053

Included in the above restricted amounts, \$33,517,000 and \$33,046,000 at June 30, 2000 and 1999, respectively, are held as escrow deposits, and \$181,136,000 and \$187,136,000, respectively, are restricted for making or purchasing mortgage and construction loans.

Pursuant to certain of its resolutions, the Commission has restricted the fund balances of the Multifamily Mortgage Program and the Single-Family Mortgage Program to maintain a level of reserves necessary to provide sound fiscal operations. In addition, through various resolutions for the Multifamily Mortgage Program, the Single-Family Mortgage Program and activities of the Operating Fund, the Commission has reserved internally generated funds for financing residential housing units and for providing rental housing assistance, which are included in restricted fund balances. In 1997, the Commission acquired a portfolio of loans from HUD. Revenues collected from these HUD purchased loans are restricted by an agreement between the Commission and HUD to be used primarily for rehabilitation loans or grants.

Pursuant to state statute, the Commission has restricted the amount of fund balance representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. The Missouri Housing Trust Fund was created by Section 215.035 of the Missouri statutes. Revenues of the Missouri Housing Trust Fund are restricted to programs which financially assist, by loans or grants, the development of housing stock and which provide housing assistance to persons and families with incomes at or below specified levels. In accordance with requirements of the GASB, the Missouri Housing Trust Fund's financial activities are included in the financial statements of the Commission.

## MISSOURI HOUSING DEVELOPMENT COMMISSION

### Notes To Financial Statements *(Continued)*

Below is a summary of restricted fund balances by the Commission, bond resolution and state statute as of June 30, 2000 and 1999:

	<b>2000</b>	1999
	<i>(In Thousands)</i>	
Restricted By Commission:		
Tenant assistance	<b>\$ 43,898</b>	\$ 44,130
Loans not funded by a bond sale	<b>102,027</b>	77,125
Loan commitments not yet disbursed	<b>17,483</b>	16,622
Reserves committed to Home Improvement and Multifamily interest subsidy program	<b>5,799</b>	5,799
Restricted earnings of HUD purchased loans	<b>4,879</b>	5,818
Unamortized bond premiums/discounts and financing costs, net of deferred commitment fees	<b>2,651</b>	2,379
	<b>176,737</b>	151,873
Restricted by bond resolution	<b>64,859</b>	59,647
Restricted by state statute - Missouri Housing Trust Fund	<b>6,705</b>	5,901
	<b>\$ 248,301</b>	\$ 217,421

The Commission rents office space under a 10-year lease, which is accounted for as an operating lease and can be extended at the option of the Commission for two successive five-year periods. Lease expenditures for the years ended June 30, 2000 and 1999 were \$349,000. Future minimum lease payments for this lease are as follows *(in thousands)*:

<b>Year</b>	<b>Amount</b>
2001	\$ 349
2002	349
2003	349
2004	349
2005	349
Thereafter	204
	<b>\$ 1,949</b>

## 9. Contingencies

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the Commission carries commercial insurance.

**10. Subsequent Events**

During July 2000, the Commission sold the GNMA securities that secured the 1990 Series B Bonds. The outstanding 1990 Series B Bonds will be defeased and subsequently redeemed in full in August 2000.

At the August 2000 Commission meeting, the Commission authorized the issuance of its Single Family Mortgage Revenue Bonds (Homeownership Loan Program), 2000 Series C in the aggregate principal amount of not to exceed \$85,000,000. It is anticipated that these bonds will be issued during September 2000.

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## **Supplementary Data**

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# MISSOURI HOUSING DEVELOPMENT COMMISSION

## COMBINING BALANCE SHEET (In Thousands) June 30, 2000

	Operating Fund	Multifamily Mortgage Program	Single- Family Mortgage Program	Total All Funds
<b>Assets</b>				
Cash and temporary cash investments	\$ 7,937	\$ 6,509	\$ 4,390	\$ 18,836
Investments:				
Investment agreements	—	19,929	256,885	276,814
Securities purchased under agreements to resell	12,935	13,163	—	26,098
U.S. government and agency securities	81,427	42,906	1,932	126,265
	94,362	75,998	258,817	429,177
Mortgage investments:				
Mortgage and construction loans receivable	82,811	222,486	32,207	337,504
GNMA and FannieMae mortgage- backed securities	—	1,115	959,666	960,781
	82,811	223,601	991,873	1,298,285
Other assets:				
Accrued interest receivable	1,750	1,958	9,283	12,991
Deferred financing charges	—	877	32,481	33,358
Property and equipment	1,701	—	—	1,701
Rental property	1,808	—	—	1,808
Accounts receivable, other	440	56	101	597
	5,699	2,891	41,865	50,455
	\$ 190,809	\$ 308,999	\$ 1,296,945	\$ 1,796,753
<b>Liabilities And Fund Balances</b>				
<b>Liabilities</b>				
Bonds payable	\$ 4,941	\$ 246,655	\$ 1,235,399	\$ 1,486,995
Accrued interest payable	—	4,406	21,096	25,502
Escrow deposits	5,021	28,432	64	33,517
Rent subsidies payable	5,362	—	—	5,362
Accounts payable	629	276	1,746	2,651
Deferred financing and commitment fees	4,018	1,263	6,666	11,947
<b>Total Liabilities</b>	19,971	281,032	1,264,971	1,565,974
<b>Fund Balances</b>				
Restricted by the Commission, bond resolution and state statute	183,442	6,964	57,895	248,301
Unrestricted fund balance (deficit)	(12,604)	21,003	(25,921)	(17,522)
<b>Total Fund Balances</b>	170,838	27,967	31,974	230,779
	\$ 190,809	\$ 308,999	\$ 1,296,945	\$ 1,796,753

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**MISSOURI HOUSING DEVELOPMENT COMMISSION**

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**COMBINING STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN FUND BALANCES****(In Thousands)****For The Year Ended June 30, 2000**

	<b>Operating Fund</b>	<b>Multifamily Mortgage Program</b>	<b>Single- Family Mortgage Program</b>	<b>Total All Funds</b>
<b>Revenues</b>				
Income - mortgage investments	\$ 5,097	\$ 14,883	\$ 69,182	\$ 89,162
Income - investments	4,507	3,876	14,249	22,632
Net decrease in fair market value of investments	(1,220)	(285)	(29,699)	(31,204)
Financing fees and other	7,700	323	382	8,405
Federal assistance and grants	48,877	—	—	48,877
<b>Total Revenues</b>	<b>64,961</b>	<b>18,797</b>	<b>54,114</b>	<b>137,872</b>
<b>Expenses</b>				
Interest on bonds	375	13,729	70,264	84,368
Bank miscellaneous bond debt expense	21	98	5,073	5,192
Salaries	3,111	—	—	3,111
Administrative expenses	3,271	—	—	3,271
Provision for loan losses	920	—	—	920
Rent subsidy payments	2,720	—	—	2,720
Housing Trust Fund grants	4,387	—	—	4,387
(Gain) loss on extinguishment of debt, net	—	21	(838)	(817)
Federal assistance and grants	48,877	—	—	48,877
<b>Total Expenses</b>	<b>63,682</b>	<b>13,848</b>	<b>74,499</b>	<b>152,029</b>
<b>Revenues Over (Under) Expenses</b>	<b>1,279</b>	<b>4,949</b>	<b>(20,385)</b>	<b>(14,157)</b>
<b>Fund Balances - Beginning Of Year</b>	<b>120,090</b>	<b>66,723</b>	<b>58,123</b>	<b>244,936</b>
<b>Interfund Transfers</b>	<b>49,469</b>	<b>(43,705)</b>	<b>(5,764)</b>	<b>—</b>
<b>Fund Balances - End Of Year</b>	<b>\$ 170,838</b>	<b>\$ 27,967</b>	<b>\$ 31,974</b>	<b>\$ 230,779</b>